HOUSING MARKET OUTLOOK

Gatineau[1]

Canada Mortgage and Housing Corporation

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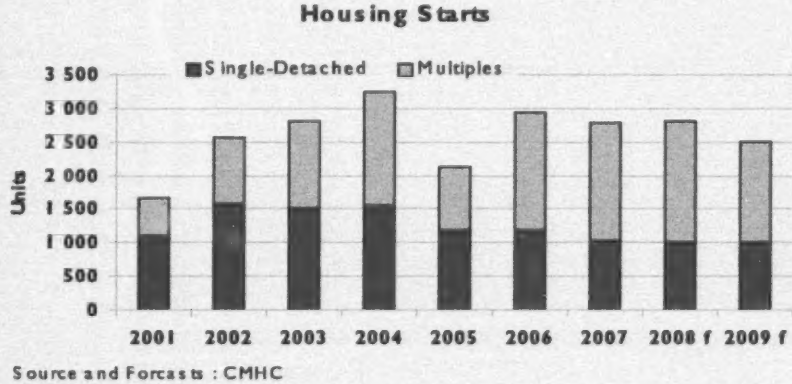
Housing starts to remain stable 2008 and then fall in 2009

In most major urban centres across Quebec, housing starts will fall in 2008. The Gatineau area, however, will have to wait until 2009 to see a decrease in activity. In fact, with the steady economic growth, rising population and dynamic job market in the National Capital Region, there should be 2,800 starts this year, or the same volume as in 2007. In 2009, the anticipated decline will be around 11 per cent, which will bring the number of new units back down to 2,500. Single-detached home building should slow down to 1,000 units in 2008, for a decrease of 3 per cent from 2007, and remain stable next year. Multiple-family housing construction will offset this decrease in 2008, as starts of this type will rise

Figure 1



Source and Forcasts : CMHC

[1] Quebec part of Ottawa-Gatineau CMA

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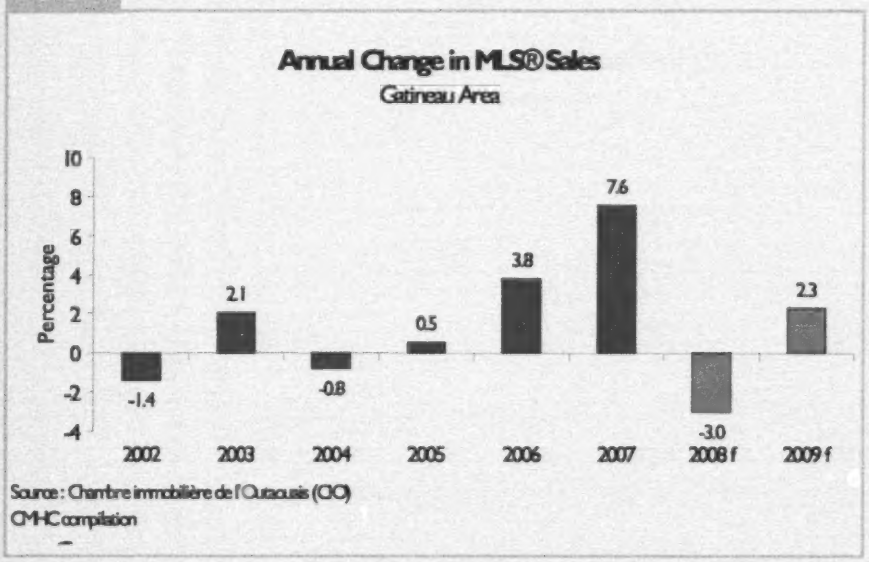
by 3 per cent, before falling by 17 per cent (to an expected 1,500 units) in 2009. Despite this decline in 2009, activity will remain above the average for the last ten years.

Semi-detached and row homes still preferred in 2008

As in 2007, the share of single-detached houses is continuing to lose ground to the share of multi-family housing. In fact, at the beginning of 2008, single-detached homes accounted for only 34 per cent of all starts, compared to 40 per cent in 2006. The steady rise in prices—above inflation—is making homeownership slightly less accessible for this housing type. Young families are therefore turning to semi-detached and row houses, which are less expensive but still meet their needs. The construction of apartment buildings will remain significant in 2008. Several condominium housing projects have in fact already been announced and should get under way very shortly. However, the anticipated completion of many rental housing units this year, including residences and apartments for seniors, could lead to a surplus on the market. Already, in April 2008, there were 390 new housing units available for rent in the Gatineau area. It will take some time before the surplus is absorbed, as more units are currently under construction. A return to more balanced market conditions is expected in 2009, when fewer dwellings of this type should be started.

Given the still favourable economic conditions and relative scarcity of existing homes for sale, new home prices will rise at a rate slightly above inflation in 2008 and continue to climb in 2009, but at a slower pace.

Figure 2



Source: Chambre immobilière de l'Outaouais (CIO)
CMHC compilation

Resale market activity to take a short break in 2008 before picking up again in 2009

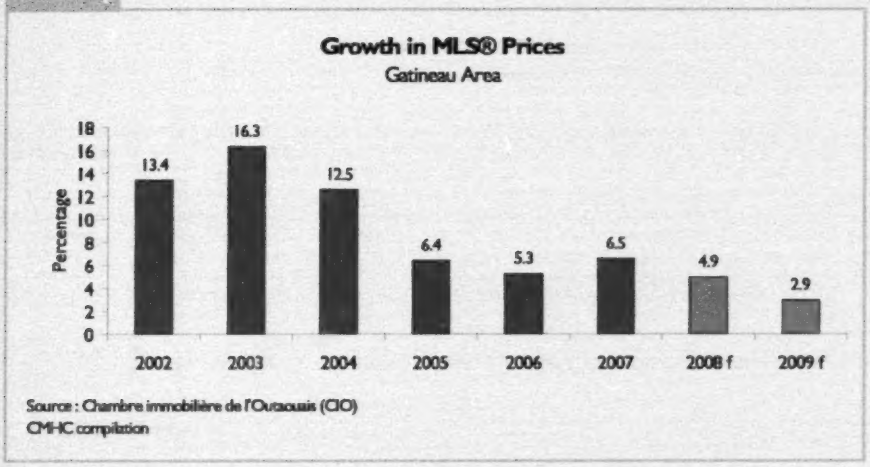
After four years of increasing activity, fewer existing homes will change owners in 2008. In fact, it is expected that there will be 3 per cent fewer resales this year than in 2007. Even with an increase in jobs and a slight easing in credit conditions, there will be a smaller number of transactions in 2008 as a result of a decrease in supply that will limit the stock available to future buyers. This scarcity will continue to favour sellers, and prices should rise by 5 per cent in 2008 and by 3 per cent next year.

In 2008, the resale market will still remain a seller's market. The seller-to-buyer ratio will reach 6 to 1 in the Gatineau area (for all housing types combined). However, since the growth in the housing stock leads to a natural increase in homes for sale, and because demand may slow down as a result of the gradual rise in interest rates, the resale market will be tending towards balanced conditions in 2009.

Rental market: vacancy rate to remain stable to end the decade

While the first few years of the new millennium were marked by a tight rental market, the end of the current decade will see conditions ease, as the vacancy rate should reach 3.2 per cent this year and 3 per cent in 2009. The good job market, along with mortgage rates that are

Figure 3



Source : Chambre immobilière de l'Outaouais (CIO)
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expected to decrease slightly this year, will cause some tenants not to renew their leases. Given that rental housing construction will remain marginal (excluding retirement housing) and that the area will still have positive net migration, the vacancy rate should stay relatively stable over the next two years.

The retirement home vacancy rate will not follow the same trend. After registering a jump of 6.1 percentage points in the fall of 2007 over the previous year, this rate will increase again in 2008. In fact, supply is rising faster than demand. At the current pace of new retirement home construction, the penetration rate of the supply (ratio of units to population aged 75 years or older) will be close to 20 per cent in 2008. In 2009, the construction of units of this type should slow down, which will bring the vacancy rate back down to lower levels.

Economy to stay strong in the area

According to the Statistics Canada Labour Force Survey, employment in the Gatineau area has increased by 5.9 per cent, or about 9,400 occupied persons, since the first quarter of 2007. With the dynamic activity observed in the public service (which accounted for more than half of the recent gain), consumer, manufacturing and transportation sectors, the number of jobs has risen more rapidly than the population. In fact, the employment-to-population ratio has now reached 69.4 per cent. The unemployment rate fell to 4 per cent, its lowest level since 1988. After a 1.9-per-cent increase in jobs in 2007, there should be further gains of 2.0 per cent in 2008 and 1.5 per cent in 2009. Given that 4 out of 10 jobs in the area are in public service sector and that the presence of the manufacturing sector remains limited (with 5.7 per cent of all jobs, compared to a share of 16.4 per cent for the province), the economy and employment will be less affected in the area than in Quebec overall by the deterioration of the economic outlook in the United States and the rest of the world.

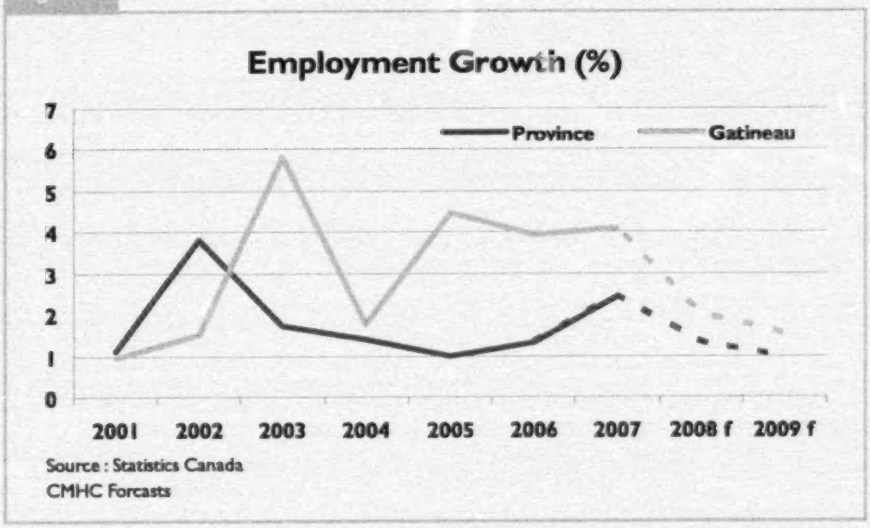
Steady population growth

The job market conditions in the area and the many advantages granted to parents of preschool-age children, such as parental leaves, $7-a-day daycare and child benefits, will favour for the arrival of over 3,400 people a year in the area. In fact, the demand for workers in the area has helped attract residents from elsewhere in Quebec and other provinces. However, more and more people are leaving the area for other provinces. This trend will likely continue on account of the economic slowdown that is having a greater impact on the central part of the country. As well, an increasing number of immigrants are choosing to settle near the Canadian capital and, once established, few of them seem to want to leave. In 2008, net migration should therefore be similar to the level recorded in 2007 (1,600 people) but would then decrease to 1,500 people next year. While, in the past, the increase in the population in the Gatineau area was due more to migration, the gains are now mainly attributable to natural growth.

Mortgage rates will remain relatively flat

Posted mortgage rates eased by about 50 basis points in the first four months of this year, although rates in late April were 30 to 35 basis points higher than they were 12 months prior. Mortgage rates are expected to trend marginally lower throughout 2008, but will be within 25-50 basis points of their current levels. For 2009, posted mortgage rates will begin to drift up slightly as the year progresses. For 2008 and 2009, the one-year posted mortgage rate is forecast to be in the 6.50-7.50 per cent range, while three- and five-year posted mortgage rates are forecast to be in the 6.75-7.50 per cent range.

Figure 4



Source : Statistics Canada
CMHC Forcasts

Forecast Summary
Gatineau CMA
Spring 2008

	2005	2006	2007	2008f	% chg	2009f	% chg
Resale Market							
MLS® Sales	4,076	4,211	4,537	4,400	-3.0	4,500	2.3
MLS® Active Listings	2,138	2,260	2,237	2,200	-1.7	2,300	4.5
MLS® Average Price ($)	164,109	172,314	182,477	191,500	4.9	197,000	2.9
New Home Market							
Starts:							
Single-Detached	1,192	1,171	1,037	1,000	-3.6	1,000	0.0
Multiples	931	1,762	1,751	1,800	2.8	1,500	-16.7
Starts - Total	2,123	2,933	2,788	2,800	0.4	2,500	-10.7
Average Price ($):							
Single-Detached	208,262	212,375	231,136	226,000	-2.2	221,000	-2.2
Semi-Detached	138,058	141,056	139,774	143,500	2.7	146,500	2.1
Median Price ($):							
Single-Detached	197,000	200,000	220,000	213,000	-3.2	216,000	1.4
New Housing Price Index (% chg.) (Ottawa-Gatineau)	4.6	3.1	1.8	1.5	-	1.8	-
Rental Market							
October Vacancy Rate (%)	3.1	4.2	2.9	3.2	0.3	3.0	-0.2
Two-bedroom Average Rent (October) ($)	660	667	662	675	-	690	-
Economic Overview							
Mortgage Rate (1 year) (%)	5.80	6.30	7.35	6.95	-0.40	6.83	-0.12
Mortgage Rate (5 year) (%)	6.30	6.45	7.54	7.01	-0.53	6.97	-0.04
Annual Employment Level	154,200	160,200	163,300	166,550	s.o.	169,065	s.o.
Employment Growth (%)	4.5	3.9	1.9	2.0	s.o.	1.5	s.o.
Unemployment rate (%)	6.7	5.6	5.4	6.0	-	6.1	-
Net Migration [1]	1,648	1,689	1,675	1,600	-4.5	1,500	-6.3

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Sources: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), Chambre immobilière de l'Outaouais (MLS®), Statistics Canada (CANSIM)

* For the moment, CMHC's forecast does not yet take into account the new Gatineau by-law providing for the transfer of the costs for burying cables (electricity, telephone, cable television) to builders. CMHC will examine this issue over the coming months.

NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

(1) 2007 migration data is forecasted

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